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West Germany

The West Germans hope that the Williamsburg Summit will focus on the global economic situation, with the goal of sending a message that the industrial nations are on the road to recovery. The West Germans are likely to want this message supported by a statement delineating how the West generally can sustain the recovery and how the Seven specifically can contribute.

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In general, the West Germans hope to avoid another Versailles, which in their view was unsuccessful. The West Germans will resist efforts to center the Summit around East-West economic issues. They believe such concentration would detract from the important political message the Summit should send, would accomplish little in real terms, and would expose differences among the Seven at a time when unity is needed.

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The West Germans will want the Summit to focus on overall economic strategy. In particular, they will push for a general commitment from the Seven to lower their trade barriers. Although the West Germans do not want a detailed discussion of protectionism, they believe US-EC agricultural differences will have to be addressed.

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Chancellor Kohl and his top officials, who have been preoccupied with forming the new government, have only just begun formulating positions on the Summit.

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France

The French want to avoid a show of Western disunity at Williamsburg and probably would prefer a loosely structured meeting. Paris wants the meeting to focus on coordinating Western strategy to promote economic growth in the industrial democracies and the Third World.

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The French expect difficulties with the United States over East-West trade and do not want this issue to occupy center stage. They are prepared to take strong action to prevent illegal Soviet acquisition of militarily significant technology, as demonstrated by their recent expulsion of 47 Soviet intelligence officers, but they do not want a reduction in overall East-West trade in industrial goods.

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The French want to avoid "economic warfare" because they think it would harm their own economy and doubt it would change Soviet behavior. They are still chafing over the Siberian gas pipeline controversy, and we think Paris would try to rally its West European partners against any effort to limit significantly sales and credits to the Soviets.

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US agricultural sales to EC markets in the Third World -- for example, the grain sale to Egypt -- are also a sore point. The French may not want to raise the issue of protectionism -- on which they are vulnerable -- but they would use recent US agricultural sales as ammunition if the question surfaces as a specific Summit issue. They will support general conclusions on the need to avoid a "trade war."

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Paris's latest austerity plan has just been put into effect, and it is not yet clear what impact it will have on French policy at the Summit. For the time being Mitterrand has rejected increased protectionism, despite considerable pressure from the left wing of the Socialist party for a more nationalistic economic policy.

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The French, nevertheless, remain concerned about the weakness of the franc and blame many of its difficulties on US policies which have strengthened the dollar. They have spoken favorably of the Versailles-mandated intervention study and have publicly hinted at the need for initiatives aimed at "restoration of monetary order." Paris is likely to urge a unified Western strategy to handle the effects on international financial structures of an uncontrolled drop in oil prices.

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The French remain somewhat resentful of US indifference to their high technology initiatives at Versailles, but they are not likely to raise the issue in any dramatic way. Mitterrand may instead focus on Western assistance to the Third World and argue that effective aid programs will promote the economic recovery of the West. He is on record as supporting action to stabilize raw material prices, enhance self-sufficiency in food, and diversify energy sources in the Third World.

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United Kingdom

The British will be looking at the Williamsburg Summit with elections in mind. Although the Conservatives continue to lead in opinion polls, Thatcher is concerned with the slow British recovery and will want public emphasis on what appears to be a world economic upturn.

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Thatcher will urge a cautious approach to monetary and fiscal policy that maintains progress on inflation while allowing for limited stimulative measures. She would welcome increased cooperation among the Summit participants in devising medium-term economic policies to encourage world recovery and will endorse proposals for international oversight to maintain the effectiveness of cooperative economic programs. She will urge industrial countries to get spending under control, will push the US to ease its interest rates further, and will call on all nations to continue to fight what the British fear is a growing protectionist mood. Although concerned with record unemployment at home, Thatcher believes little can be done to reduce it in time to help her with the elections, which must be held by May 1984 but could be called earlier. At best, she will be willing to ease her own monetary policies slightly because falling oil revenues have left her little room to increase spending without creating excessive budget deficits.

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Thatcher will press for liberalization of trade in services and reductions in barriers to British goods, especially steel and high technology items. At the same time, she will resist pressure to reduce subsidies to British industry because of the continuing unemployment problem. She may be willing to explore some reduction of European Community protectionism on agricultural products by modifying the Common Agricultural Policy, although the British realize that several of their Community partners will resist any concessions to the US on this issue. To avoid the contention of last year's summit, Thatcher would prefer not to treat East-West trade as a separate agenda item. She would probably like a conciliatory US stance on East-West trade, although the British continue to be willing to examine ways to tighten COCOM controls on particularly sensitive high technology items.

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Perhaps most important, with elections on the way Thatcher will want to enhance her reputation as a strong and respected leader, avoid the appearance of undue concessions to US positions, and demonstrate that the West is united on economic and political issues but is not inflexible on arms control. She will use the Summit for consultations with other leaders on a wide variety of problems, including approaching her colleagues for support on the British position in the Falklands and looking for promises of cooperation should Argentina again provoke a confrontation. Thatcher will also urge the United States to be more flexible in arms talks with the Soviets as the best way to undercut the anti-nuclear movement in Western Europe; she is also likely to ask the US to take a conciliatory line on trade disputes over agriculture, steel, and East-West economic relations.

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Italy

The Italians, in line with Foreign Minister Colombo's emphasis on energizing Italian foreign policy, will probably try to play an active role at the Williamsburg Summit.

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Rome also may be relatively outspoken on the issue of protectionism. Italy, a longtime advocate (and generally a practitioner) of free trade, is worried about growing support for protectionism in the United States and probably will question US participants at the Summit about anticipated US trade legislation.

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The Italians favor as much informality as possible, but Italian officials are concerned that the United States will try to focus the Summit on the East-West issue. While we believe they will agree to a wide-ranging exchange on this subject, they will not want it to dominate the talks.

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Moreover, Rome believes that extreme care has to be taken with East-West trade matters to avoid the kinds of misunderstandings that arose after the Versailles Summit. Officials are particularly concerned that consideration of the East-West issue solely by heads of state with no outside observers or notetakers present might contribute to subsequent misinterpretations.

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Italy endorses the view that high technology trade with the Soviets should be subject to tighter controls and that Moscow should be denied subsidized interest rates. Rome, however, does not want stricter ground rules used to support a form of economic warfare against the USSR. Officials believe that the strength of the Soviet economy and the availability of alternative suppliers make such an approach unfeasible and dangerous.

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Italy's inflation rate is currently at last year's level of 16.3 percent, the highest among major industrialized nations. Rome will support calls for economic programs that carefully balance growth and inflationary concerns.

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In discussions on North-South issues, Rome will probably urge greater and more stable aid flows to support LDC structural adjustment and stabilization programs. Given Italy's burgeoning budget deficit, Rome will probably stress increased aid flows from multilateral institutions. Rome is also interested in using the Williamsburg Summit to favorably influence the North-South climate in preparation for UNCTAD VI.

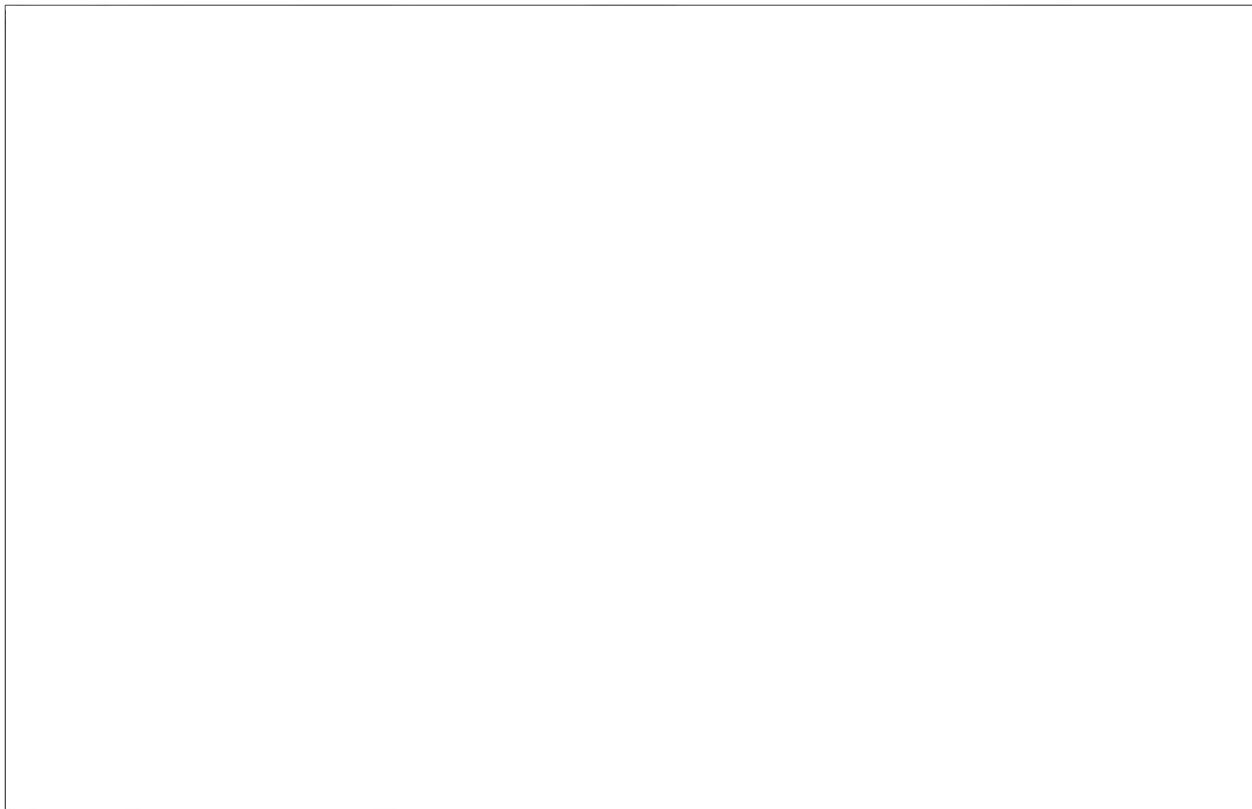
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During recent meetings with US officials, Italy's Sherpa, Ambassador Paolini, suggested that time be set aside for political discussions including INF. Paolini dismissed the observation that having the Japanese at Williamsburg might make INF an inappropriate topic, noting that while the Japanese are not NATO members, the SS-20 question is as important to them as as it is to the West Europeans.

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Japan



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The Japanese also have been trying to resolve bilateral trade disputes with Big-7 countries in hopes of heading off confrontation at the Summit. Japan and the European Community have agreed to a temporary trade truce. In July the European Foreign Ministers will review the effectiveness of the agreement, which sets specific limits on Japanese exports of VTRs and color TV tubes and calls for continued moderation of exports of passenger cars, color TVs, and machine tools. [redacted]

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Japanese officials believe North-South issues may prove troublesome at the Summit, but they will not be the troublemakers.

- o The Ministry of Industry and Trade is working on a position paper dealing with international economic institutions. The US Embassy in Tokyo has learned that MITI is studying a 12-member group as an alternative to the current method of GATT management. The group, composed of the quadripartite countries plus eight regional representatives, would increase the clout of the major industrial countries.



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- o On 27 March Nakasone announced he would propose a \$500 billion Global Infrastructure Fund at the Summit. Endowed by industrial countries, the Fund would aid projects -- such as construction of a second Panama Canal which several Japanese companies are interested in -- that would help debt-ridden LDCs.

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East-West discussions are likely to prove the most ticklish for the Japanese delegation. Nakasone's strong anti-Soviet stance is not fully supported within the government.

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- o Tokyo is becoming more sensitive to US concerns about COCOM infringements, and MITI appears to be tightening enforcement.

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- o On defense matters, Japan continues to fear that Washington, under pressure from the West Europeans to accept a partial reduction in surface-to-surface missiles, might negotiate a settlement that would permit the Soviets to shift some SS-20 missiles into eastern Siberia.

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Canada

Canadian Prime Minister Trudeau will look to the Summit primarily as an opportunity to voice Canada's opposition to protectionist trade policies, although his government continues to pursue nationalistic investment policies and restrictive trade measures. Recent indications are that Ottawa may seek to "do battle," through government policy and support for the Canadian business community, with those nations practicing protectionism to the detriment of Canadian interests. With Canada currently suffering through its worst economic slump since the 1930s, Trudeau has recently been involved in intensive efforts, including personal "sales trips" to the southwestern Pacific, Japan, and the Caribbean, to increase Canada's exports of natural resources, agricultural products, and manufactured goods. At Williamsburg, Trudeau probably will privately express Canada's fear that the United States is becoming increasingly protectionist. Canada is not likely to suggest an end-of-summit anti-protectionist communique but probably would agree to such a communication should another nation take the initiative.

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Canada has long supplied large amounts of grain to the Soviet Union and achieved some additional success in 1982 by concluding a grain sale with, and extending export credits to, East Germany. In addition, Canada has sought to expand its exports of manufactured goods to the East, particularly of sophisticated high-technology equipment and machine tools for the oil and natural gas industries. Canada probably will not raise the issue of East-West trade, but if the topic is raised by others the Canadians will probably resist any effort to limit it.

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Ottawa probably will seek to achieve the group's agreement on some means of stabilizing world oil prices. Canada's domestic oil prices currently exceed the government-mandated ceiling of 75 percent of the prevailing world price. Ottawa must decide in July whether to reduce domestic prices to maintain the price cap or to forgo its hard-won oil pricing agreement with the provinces. A drop in price will drastically reduce the federal government's revenues and add to what is already a record budget deficit.

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Ottawa will emphasize its concern over the possibility of default by LDCs. Canadian banks have made substantial loans to several, including Brazil and Argentina. Trudeau has recently urged that the International Monetary Fund and other international financial institutions take immediate steps to facilitate the restructuring and stabilization of LDC debt.

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Trudeau has long been a champion of the North-South process, but it seems likely that he will make only perfunctory references to the North-South dialogue at the upcoming Summit. Trudeau believes that the extreme demands made by some of the more radical members of the Third World-dominated G-77 Group -- i.e., Cuba and Algeria -- have wiped out the opportunity for progress arising from the Versailles Summit of 1982. Exasperated by the radicals' behavior, Trudeau likely will be a much less vocal advocate of global negotiations at Williamsburg than he was at summits past.

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